



Alaska Geographic Differential Study 2008

Prepared for:
State of Alaska, Department of Administration

Presented to:
House Finance Committee

Presented by:
McDowell Group, Inc.
November 5, 2009



Background

- **Most recent prior comprehensive statewide COL study was prepared in 1985**
- **Teamed with ECONorthwest and GMA Research**
- **Research conducted during Fall of 2008**

Methodology

- **Household Consumption Survey**
 - 2,547 households in 74 Alaska communities
- **Retail Price Survey**
 - 634 retail outlets in 58 communities
- **Household market basket of 200 items**

Methodology

- **Modeling blended consumption and prices to create differentials**
- **Cost differentials were calculated for 18 geographic “pools” and 12 individual communities**
- **Differentials also calculated for the original 19 election districts**

Methodology

- **18 geographic “pools” are composed of communities with common demographic and geographic characteristics**
- **Modeling was done at the community level, so other groupings could be analyzed**

Methodology

- Anchorage is the base community:
Differential of 1.00
- All cost differentials were calculated
relative to Anchorage
- Study measured *differences* in the
cost of living

Results

Block No.	Sample Block (Pool)	2008 Differential
1	Anchorage	1.00
2	Fairbanks	1.03
3	Parks/Elliott/Steese Highways	1.00
4	Glennallen Region	0.97
5	Delta Junction/Tok Region	1.04
6	Roadless Interior	1.31
7	Juneau	1.11
8	Ketchikan/Sitka	1.09
9	Southeast Mid-size Communities	1.05

Results

Block No.	Sample Block (Pool)	2008 Differential
10	Southeast Small Communities	1.02
11	Mat-Su	0.95
12	Kenai Peninsula	1.01
13	Prince William Sound	1.08
14	Kodiak	1.12
15	Arctic Region	1.48
16	Bethel/Dillingham	1.49
17	Aleutian Region	1.50
18	Southwest Small Communities	1.44

Results

Community	2008 Differential
Barrow	1.50
Bethel	1.53
Cordova	1.13
Dillingham	1.37
Homer	1.01
Ketchikan	1.04
Kotzebue	1.61
Nome	1.39
Petersburg	1.05
Sitka	1.17
Unalaska/Dutch Harbor	1.58
Valdez	1.08

Change since 1985

1985 District	District Name	2008 Diff.	1985 Diff.	Change
1	Ketchikan/POW	1.04	1.02	+0.02
2	Petersburg/Wrangell	1.04	0.98	+0.06
3	Sitka	1.17	1.01	+1.16
4	Juneau	1.11	1.03	+0.08
5	Icy Strait/Lynn Canal	1.06	1.05	+0.01
6	Cordova/Valdez	1.05	1.11	-0.06
7	Palmer/Wasilla	0.95	0.94	+0.01
9	Seward	1.03	1.00	+0.03
10	Kenai/Cook Inlet	1.01	1.01	0.00

Change since 1985

1985 District	District Name	2008 Diff.	1985 Diff.	Change
11	Kodiak	1.12	1.06	+0.06
12	Aleutian Islands	1.49	1.26	+0.23
13	Bristol Bay	1.37	1.29	+0.08
14	Bethel	1.53	1.39	+0.14
15	Yukon/Kuskokwim	1.16	1.29	-0.13
16	Fairbanks/Fort Yukon	1.02	1.03	-0.01
17	Barrow/Kotzebue	1.55	1.45	+0.10
18	Nome	1.37	1.33	+0.04
19	Wade Hampton	1.48	1.26	+0.22

Recommendations

- **Depart from the current plan that assigns pay differentials primarily by election district boundaries**
- **Define GDPs such that communities within each GDP have differentials that do not differ by a statistically significant amount**

Statistically-Based GDPs

2008 GDP #	Sample Blocks/Communities	Min. Diff.	Max. Diff.	Wght Ave.
1	Anchorage, Fairbanks, Delta/Tok, Glennallen, KPB, Mat-Su, Parks/ Elliott/Steese, Small & Mid-size SE	.95	1.05	1.0
2	Cordova, Juneau, Kodiak, Sitka, Valdez	1.08	1.17	1.11
3	Dillingham, Nome, Roadless Interior	1.31	1.39	1.37
4	Barrow, Bethel, SW Small comm.	1.44	1.53	1.50
5	Kotzebue, Unalaska/Dutch Harbor	1.58	1.61	1.60

Statistically-Based GDPs

- **Advantages**
 - Logical (grouping similar communities)
 - Easier to administer
 - Acknowledges uncertainty
- **Challenges**
 - No ideal number of GDPs
 - Establishes a range, not a single value



Alaska Geographic Differential Study

McDowell Group, Inc.

Anchorage • Juneau

**Providing consulting and research to Alaska
businesses and organizations since 1972**

